

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CITY OF ROOSEVELT PARK	County MUSKEGON
Fiscal Year End 11/30/07	Opinion Date 02/29/08	Date Audit Report Submitted to State 03/10/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>	NO OTHER ITEMS REQUIRED		
Certified Public Accountant (Firm Name) BRICKLEY DELONG, PLC		Telephone Number 231-726-5800		
Street Address 316 MORRIS AVE., SUITE 500		City MUSKEGON	State MI	Zip 49443
Authorizing CPA Signature <i>Timothy D. Arter, CPA</i> <i>for Brickley DeLong, PLC</i>		Printed Name TIMOTHY D. ARTER		License Number 10253

City of Roosevelt Park
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended November 30, 2007

City of Roosevelt Park

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As management of the City of Roosevelt Park, we present to the readers of the City's financial statements this overview and analysis of the financial activities of the City for the fiscal year ended November 30, 2007. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year the City of Roosevelt Park had total assets of \$8,383,974 and total liabilities of \$977,948 leaving net assets of \$7,406,026, an increase of 6% in the City's overall net assets.
- Of the total \$7,406,026 in net assets, the City may use \$1,755,054 (unrestricted net assets) to meet the ongoing obligations to citizens and creditors.
- Total revenues, including all program and general revenues, were \$4,251,975, made up of governmental revenues of \$2,639,794 and business-type revenues of \$1,612,181. Revenues for the City's Downtown Development Authority (DDA) were \$479,099.
- Total expenses for all of the City's programs were \$3,802,632. Of that total, the governmental expenses were \$2,465,923 and the business-type expenses were \$1,366,709. Expenses for the City's DDA were \$318,116.
- During 2007 the City's outstanding debt increased by \$1,095,615. Most of this increase is attributable to the issuance of \$720,000 in general obligation capital improvement bonds needed to fund construction of the Henry Street watermain project as well as the other smaller efforts directed at upgrading water and sewer systems as described within this text.
- The City's general fund reported a total fund balance of \$660,864 at year-end, an increase of \$179,988 over the prior year. The ability to add to the fund balance is highly unusual in the recent history of the City, but is seen as critical to maintaining City activities and services in these uncertain times.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances. These statements are similar to those of a private sector business. Their purpose is to attempt to answer the question, is the City of Roosevelt Park, in its entirety, better or worse off as a result of this fiscal year's activities?

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities). The governmental activities of the City include general government, public safety, public works and cultural and recreational activities. The business-type activities of the City include water distribution and sewer services.

The government-wide financial statements include not only the City (the primary government) but also the legally separate discretely presented component unit (Downtown Development Authority). The board of this organization is appointed by the City and given the interrelation of the two; there is some potential liability for the City due to the City's pledge of its full faith and credit for debt obligations. The financial information of this component unit is reported in a separate column from the financial information of the primary government itself.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories-governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds. The City has two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provided separate information for Water and Sewer funds both of which are major funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary information as it relates to the actual expenditures for the General Fund.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on budgetary information.

Government-wide Financial Analysis

The first table presented on the next page is a summary of the government-wide statement of net assets for the City. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of November 30, 2007, the City's net assets from governmental activities totaled \$3,311,638 (45%) and \$4,094,388 (55%) from business-type activities, creating a total government-wide net assets total of \$7,406,026.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the City's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for government-type activities actually depict a balance of \$883,120. This represents the amount of discretionary cash or investments that can be used for general governmental operations.

The business-type activities show a total of \$4,094,388 in net assets and \$871,934 (21%) in unrestricted net assets. The Sewer Fund and Water Fund unrestricted net assets are \$291,090 and \$591,499, respectively. Unrestricted net assets in the Sewer and Water funds increased by 46% and 24%, respectively, from the previous year.

The increase in current assets and other assets for governmental activities is reflective of the increase in net assets. Capital assets of governmental activities decreased because depreciation exceeded fixed asset additions as there were few significant additions this year.

The increase of \$273,494 in current assets and other assets within the business-type activities is primarily due to unspent bond proceeds. Capital assets of business activities increased by \$469,050 (or 15%) due to completion of the Henry Street water system interconnection with the City of Muskegon Heights and three smaller water main improvement projects on Roosevelt Road, Greenwich and south of Sherman Boulevard near Home Depot. The \$638,772 increase in noncurrent liabilities is due to the \$720,000 bond issue that the City finalized during 2007 to pay for these various improvements to the City's water and sanitary systems noted above. Correspondingly, net assets invested in capital assets, net of related debt also increased by 2.3%.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current assets and other assets	\$ 1,250,331	\$ 915,935	\$ 1,248,029	\$ 974,535	\$ 2,498,360	\$ 1,890,470
Capital assets	2,193,307	2,305,548	3,692,307	3,223,257	5,885,614	5,528,805
Total assets	3,443,638	3,221,483	4,940,336	4,197,792	8,383,974	7,419,275
Current liabilities	108,053	58,904	155,948	327,648	264,001	386,552
Noncurrent liabilities	23,947	24,812	690,000	51,228	713,947	76,040
Total liabilities	132,000	83,716	845,948	378,876	977,948	462,592
Net assets						
Invested in capital assets, net of related debt	2,193,307	2,305,548	3,222,454	3,149,385	5,415,761	5,454,933
Restricted	235,211	169,361	-	-	235,211	169,361
Unrestricted	883,120	662,858	871,934	669,531	1,755,054	1,332,389
Total net assets	\$ 3,311,638	\$ 3,137,767	\$ 4,094,388	\$ 3,818,916	\$ 7,406,026	\$ 6,956,683

City of Roosevelt Park

Management's Discussion and Analysis

The results of this year's operations for the City as a whole are reported in the statement of activities, which shows changes in net assets.

Change in Net Assets

Revenues:

Program revenues						
Charges for services	\$ 688,301	\$ 678,645	\$ 1,406,414	\$ 1,271,161	\$ 2,094,715	\$ 1,949,806
Operating grants	255,297	253,440	-	-	255,297	253,440
Capital grants and contributions	13,664	638,444	167,095	415,538	180,759	1,053,982
General revenues						
Property taxes	1,199,484	1,164,564	-	-	1,199,484	1,164,564
Franchise fees	54,340	36,340	-	-	54,340	36,340
Grants and contributions not restricted	332,863	339,042	-	-	332,863	339,042
Unrestricted investment earnings	63,919	50,959	38,672	28,256	102,591	79,215
Miscellaneous	27,275	28,346	-	-	27,275	28,346
Gain on sale of asset	4,651	-	-	-	4,651	-
Total revenues	<u>2,639,794</u>	<u>3,189,780</u>	<u>1,612,181</u>	<u>1,714,955</u>	<u>4,251,975</u>	<u>4,904,735</u>

Expenses:

General government	568,251	548,176	-	-	568,251	548,176
Public safety	971,318	993,996	-	-	971,318	993,996
Public works	864,969	772,928	-	-	864,969	772,928
Culture and recreation	61,385	80,547	-	-	61,385	80,547
Sewer Fund	-	-	579,398	660,366	579,398	660,366
Water Fund	-	-	757,311	703,147	757,311	703,147
Total expenses	<u>2,465,923</u>	<u>2,395,647</u>	<u>1,336,709</u>	<u>1,363,513</u>	<u>3,802,632</u>	<u>3,759,160</u>
Change in net assets	173,871	794,133	275,472	351,442	449,343	1,145,575
Net assets - Beginning	<u>3,137,767</u>	<u>2,343,634</u>	<u>3,818,916</u>	<u>3,467,474</u>	<u>6,956,683</u>	<u>5,811,108</u>
Net assets - Ending	<u>\$ 3,311,638</u>	<u>\$ 3,137,767</u>	<u>\$ 4,094,388</u>	<u>\$ 3,818,916</u>	<u>\$ 7,406,026</u>	<u>\$ 6,956,683</u>

At year-end, on November 30, 2007, net assets increased by \$173,871 in governmental activities and \$275,472 in business-type activities. This resulted in an increase of \$449,343 government-wide.

Governmental Activities

Total revenues declined by \$549,986 from the 2006 total of \$3,189,780 due to a capital grant received by the City in 2006 for reconstruction of a portion of Glenside Boulevard. Revenue totals for 2007 would have declined even further, but for the slight (3%) increase in property tax revenues from \$1,164,564 to \$1,199,484. The 2007 Fiscal Year also saw a significant increase in franchise fees and investment earnings were up by 25% from \$54,340 to \$63,919. Charges for services increased slightly by 1.4%. Expenses for all governmental activities increased by only \$70,276 or 2.9% as the City worked to contain costs wherever possible. Expenses for activities related to general government services increased by \$20,075 or 3.6%. Public safety expenses actually declined by \$22,678 with 90% of that being a reduction in inspection costs due to the impact of the Wal-Mart project in 2006.

Business-type activities

Charges for services increased by a little over 10% from 2006 to 2007. This increase was due to the slight upward adjustment made to water rates and the fact that a dry summer caused water sales to increase by 23 million gallons during 2007. The grants and contributions of capital declined in 2007 for business-type activities from \$415,538 to \$167,095. In 2006 the City booked the value of water mains constructed by Wal-Mart and donated to the City, hence the larger than usual activity. For 2007, the City's Downtown Development Authority built a section of water main south of Sherman Boulevard, connecting CWC to a large main for improved fire flows and turned that new main over to the City.

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2007 fiscal year, the City governmental funds reported a combined unreserved fund balance of \$906,868. This number represents the unreserved fund balance \$644,285 in the General Fund and \$262,583 in other governmental funds. The City has designated \$50,000 of the unreserved amount in the General Fund for other post-employment benefits. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders (\$16,579). When the fund balance has been adjusted to account for these reserves, the result is a final fund balance of \$923,447, which consists of a fund balance of \$660,864 in the General Fund and fund balance of \$262,583 in other governmental funds.

The General Fund had an increase in fund balance of \$179,998 compared to an increase of \$116,822 in the prior year. The increase was due to an increase in property tax revenue due to growth in taxable value, additional administration fees from other funds and a higher return on investments.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the governmental financial statements, but in more detail. Net assets in the Sewer Fund and Water Fund increased by \$52,308 and \$225,678, respectively. The result was an overall net increase in the proprietary funds of \$277,986.

General Fund Budget

During the current fiscal year, the City made several amendments to its original budget. In total, General Fund expenditures came in under the budget as amended. Some of the more notable adjustments to individual departments include:

- The original license and permits revenue budget was amended from \$90,400 to \$131,550 due to the unanticipated amount of construction and remodeling activity that occurred in the City in 2007, with much of it taking place in the (former) Park Row Mall area and Tower. 2007 also saw construction of a new Subway restaurant at Henry and Summit.
- The original charges for services revenue budget was amended from \$509,310 to \$533,190 primarily due to higher interfund charges as a result of construction activity that required staff being assigned to monitor or assist with these projects.
- The original other revenue budget was amended from \$24,000 to \$49,600 due to unanticipated grant revenue from Wal-Mart that was given for police vests and assistance with improvements at the Community Center (roof repairs).
- The original personnel expenditures budget was amended downward from \$66,800 to \$55,300 due to a cost-saving change that was made in our health insurance provider for City retirees.
- The original inspections expenditures budget was amended from \$58,600 to \$80,350 to cover the cost of contractual employees providing inspection services.

The following comments summarize some of the major variations from the final budget to actual revenues and expenditures.

- Licenses and permit revenues were \$22,627 more than budgeted due to the increase in construction and remodeling activity in the City during 2007.
- Charges for services revenues were \$26,751 more than budgeted primarily due to administrative charges assessed to the water/sewer funds due to the amount of utility construction during 2007 that required DPW inspection and monitoring.
- Investment earnings revenues were \$19,778 more than budgeted due to an unexpected and favorable increase in interest earnings for 2007.
- Other revenues were \$13,367 over the original due to a number of small increases in various line items, none of which were significant, but all in total caused an increase beyond the original budgeted revenue.

- Public service expenditures were \$14,939 less than budgeted due to the continuing staffing shortage in DPW and cost savings due to a more efficient sanitation program where more material is being picked up at curbside by the City's contractor vs. using City forces and equipment.
- Capital outlay expenditures were \$12,751 less than budgeted as the City was fortunate during 2007 in that it did not become necessary to replace or upgrade any of the office equipment or technology that was part of the normal replacement cycle. Any purchase of such items was deferred to 2008 or beyond.

Capital Assets

The City investment in capital assets for its governmental and business-type activities as of November 30, 2007 totaled \$5,885,614 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment, plants and vehicles.

Major capital asset events during the current fiscal year included the following:

- A new police car for \$24,269.
- A new lawn mower for \$6,891.
- Various water main improvements on Henry Street (including a connection into the City of Muskegon Heights water system), Roosevelt Road, Greenwich Road, and extension of a large main to the west of Home Depot totaling \$533,750.

CAPITAL ASSETS (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 295,147	\$ 295,147	\$ 600	\$ 600	\$ 295,747	\$ 295,747
Buildings and improvements	523,477	544,484	-	-	523,477	544,484
Vehicles and equipment	250,236	280,027	-	-	250,236	280,027
Infrastructure	1,124,447	1,185,890	-	-	1,124,447	1,185,890
Sewer system	-	-	2,060,580	2,100,547	2,060,580	2,100,547
Water system	-	-	1,631,127	1,122,110	1,631,127	1,122,110
Total	<u>\$ 2,193,307</u>	<u>\$ 2,305,548</u>	<u>\$ 3,692,307</u>	<u>\$ 3,223,257</u>	<u>\$ 5,885,614</u>	<u>\$ 5,528,805</u>

Additional information on the City's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

Long-term Debt

At the end of the 2007 fiscal year, the City had total outstanding debt of \$810,818 consisting of bonds and compensated absences. The \$770,871 in the business-type activities is backed by the full-faith and credit of the City. The payment of these bonds is through the revenues generated from the Water and Sewer funds.

OUTSTANDING DEBT

	Activities		Activities		Total	
	2007	2006	2007	2006	2007	2006
Compensated absences	\$ 39,947	\$ 40,812	\$ -	\$ -	\$ 39,947	\$ 40,812
General obligation bonds	-	-	770,871	102,228	770,871	102,228
Total	<u>\$ 39,947</u>	<u>\$ 40,812</u>	<u>\$ 770,871</u>	<u>\$ 102,228</u>	<u>\$ 810,818</u>	<u>\$ 143,040</u>

The City's total debt increased by \$667,778 during the fiscal year. This increase was due to the issuance of the \$720,000 General Obligation Capital Improvement Bonds of 2007 in the Sewer and Water funds offset by scheduled debt payments.

In addition to the City's debt, the City's DDA component unit had outstanding debt of \$1,540,000. This debt is secured by the limited full faith and credit of the City and so is an important consideration in assessing the City's overall fiscal health.

Additional information on the City's long-term debt can be found in Note H of the "Notes to Financial Statements" of this report.

General Economic Overview

The City continues to see fiscal accountability and financial stability as its top priority. The operating margin between revenues and typical expenses for all services is small and will continue to be our greatest and on-going challenge.

YEAR	TOTAL PROPERTY TAXES (percentage change)	STATE SHARED REVENUE (percentage change)
2007	\$1,199,484 (+3.00%)	\$347,843 (-1.48%)
2006	\$1,164,564 (+4.60%)	\$353,077 (-1.17%)
2005	\$1,113,254 (+4.39%)	\$357,274 (+4.4%)
2004	\$1,066,447 (+4.54%)	\$342,175 (-9.03%)
2003	\$1,020,109 (+3.75%)	\$376,159 (-7.30%)
2002	\$ 983,205	\$405,778

The least understood component of the City's General Fund is how little of the services provided by the General Fund, are supported by local property taxes. During 2007 only 50.8% of all General Fund revenues came from real and personal property taxes...and a sizeable component of that total came from the industrial and commercial (not residential) sectors. Roosevelt Park will continue to struggle with the strong misconceptions, as demonstrated in the 2007 City-wide survey, that local property taxes are high, that the City has all the money it needs (or even more than it needs) and that services to the public are a much higher priority than replacing our aging infrastructure.

In fiscal 2008, state revenue sharing funding is projected to remain stable at the 2007 level and local property tax revenues are expected to increase slightly. As the State of Michigan continues to experience difficulty in balancing budgets and as the economy of this State continues to struggle, the long-term stability of the present revenue sharing system will continue to be in doubt. Any additional shortfall in revenue sharing and/or any other future cuts in revenues will affect the services that are provided to the residents of Roosevelt Park. State shared revenue totals 15% of the City's total General Fund budget and as the data above indicates, the general trend in funds received has been downward over the past five years. Our residents and taxpayers have repeatedly heard about the decline in revenue sharing to the point where they might be immune to the difficulties that could lie ahead.

The City has undertaken a number of recent measures to balance the budget. Total staff size has been reduced in recent years. The latest cuts were within the City Hall and Police Department. The full-time position of City Clerk was combined with that of the Treasurer. A full-time front desk support staff position was reduced to half-time and the full-time Police Department Clerk's position was also reduced to part-time funding. All commodity or capital purchases are carefully scrutinized in an attempt to determine necessity or if a less expensive alternative exists. Some services, especially in the park and recreation area, have been reduced. The annual solid waste collection service was reconfigured in 2006 in order to reduce costs and so the major component of curbside collection of refuse could remain intact. That change has worked favorably for the City in 2007 in terms of lower costs and a shifting of some of the weekly collection from City DPW staff to the hauler. Health insurance cost increases for both active employees and especially Medicare-eligible retirees continues to be a significant issue. The pending implementation of GASB 45, which will cause the City to pre-fund retiree health care or begin showing a liability for it, will have a significant financial impact on this organization.

Water and sewer fees represent a significant portion of the total City budget, with revenue of \$1,406,414 in 2007, against total expenses of \$1,336,709. Both funds ended the year with small operating profits. For the Sewer Fund this is a turn-around from the significant operating loss experienced in 2006. The positive year-end situation for the Water Fund is a result of a small rate increase that was enacted in 2007 and a dry summer that caused a spike in water sales. As for the immediate future, the significant unknown for the Water Fund is when a future rate increase will be levied by the City of Muskegon, our water provider. The Sewer Fund will face a definite impact in rates in the near future as additional debt will be passed on to customer communities by the Muskegon County Wastewater system as a result of mandated improvements. The rate impact on Roosevelt Park's sewer customers will be significant.

Requests for Information

This financial report is designed to provide a general overview of the City of Roosevelt Park's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Roosevelt Park, 900 Oak Ridge Road, Roosevelt Park, MI, 49441, (231) 755-3721.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

February 29, 2008

Honorable Mayor and Members
of the City Council
City of Roosevelt Park
City of Roosevelt Park, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Roosevelt Park as of and for the year ended November 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Roosevelt Park's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Roosevelt Park, as of November 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - x and 27 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Roosevelt Park's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



City of Roosevelt Park
STATEMENT OF NET ASSETS (DEFICITS)
November 30, 2007

	ASSETS			
	Governmental activities	Business-type activities	Total	Component unit
CURRENT ASSETS				
Cash and investments	\$ 1,132,625	\$ 622,540	\$ 1,755,165	\$ 306,331
Receivables	-	332,126	332,126	-
Due from other governmental units	90,072	-	90,072	-
Internal balances	10,655	(10,655)	-	-
Inventories	400	3,000	3,400	-
Prepaid items	16,579	-	16,579	-
Total current assets	1,250,331	947,011	2,197,342	306,331
NONCURRENT ASSETS				
Restricted assets	-	279,506	279,506	-
Capital assets, net				
Nondepreciable	295,147	600	295,747	-
Depreciable	1,898,160	3,691,707	5,589,867	-
Bond issue costs, net	-	21,512	21,512	-
Total noncurrent assets	2,193,307	3,993,325	6,186,632	-
Total assets	3,443,638	4,940,336	8,383,974	306,331
LIABILITIES AND NET ASSETS (DEFICITS)				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	48,677	6,199	54,876	11,000
Due to other governmental units	43,376	68,878	112,254	-
Bonds and other obligations, due within one year	16,000	80,871	96,871	75,000
Total current liabilities	108,053	155,948	264,001	86,000
NONCURRENT LIABILITIES				
Bonds and other obligations, less amounts due within one year	23,947	690,000	713,947	1,465,000
Total liabilities	132,000	845,948	977,948	1,551,000
NET ASSETS (DEFICITS)				
Invested in capital assets, net of related debt	2,193,307	3,222,454	5,415,761	-
Restricted for streets and highways	235,211	-	235,211	-
Unrestricted	883,120	871,934	1,755,054	(1,244,669)
Total net assets (deficits)	\$ 3,311,638	\$ 4,094,388	\$ 7,406,026	\$ (1,244,669)

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF ACTIVITIES
For the year ended November 30, 2007

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government			Component unit
					Governmental activities	Business-type activities	Total	
Primary government								
Governmental activities								
General government	\$ 568,251	\$ 4,700	\$ -	\$ -	\$ (563,551)	\$ -	\$ (563,551)	\$ -
Public safety	971,318	105,724	1,316	-	(864,278)	-	(864,278)	-
Public works	864,969	569,019	243,541	-	(52,409)	-	(52,409)	-
Culture and recreation	61,385	8,858	10,440	13,664	(28,423)	-	(28,423)	-
Total governmental activities	2,465,923	688,301	255,297	13,664	(1,508,661)	-	(1,508,661)	-
Business-type activities								
Sewer	579,398	608,141	-	13,030	-	41,773	41,773	-
Water	757,311	798,273	-	154,065	-	195,027	195,027	-
Total business-type activities	1,336,709	1,406,414	-	167,095	-	236,800	236,800	-
Total primary government	\$ 3,802,632	\$ 2,094,715	\$ 255,297	\$ 180,759	(1,508,661)	236,800	(1,271,861)	-
Component unit								
Downtown Development Authority								
General government	\$ 27,700	\$ -	\$ -	\$ -	-	-	-	(27,700)
Public safety	100,237	-	-	-	-	-	-	(100,237)
Public works	121,996	-	-	-	-	-	-	(121,996)
Interest on long-term debt	68,183	-	-	-	-	-	-	(68,183)
Total component unit	\$ 318,116	\$ -	\$ -	\$ -	-	-	-	(318,116)
General revenues								
Property taxes					1,199,484	-	1,199,484	436,742
Franchise fees					54,340	-	54,340	-
Grants and contributions not restricted to specific programs					332,863	-	332,863	-
Unrestricted investment earnings					63,919	38,672	102,591	42,357
Miscellaneous					27,275	-	27,275	-
Gain on sale of capital assets					4,651	-	4,651	-
Total general revenues					1,682,532	38,672	1,721,204	479,099
Change in net assets					173,871	275,472	449,343	160,983
Net assets (deficit) at December 1, 2006					3,137,767	3,818,916	6,956,683	(1,405,652)
Net assets (deficit) at November 30, 2007					\$ 3,311,638	\$ 4,094,388	\$ 7,406,026	\$ (1,244,669)

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
BALANCE SHEET
Governmental Funds
November 30, 2007

	General Fund	Other governmental funds	Total governmental funds
ASSETS			
Cash and investments	\$ 673,648	\$ 234,011	\$ 907,659
Due from other governmental units	57,943	32,129	90,072
Prepaid items	16,579	-	16,579
Total assets	<u>\$ 748,170</u>	<u>\$ 266,140</u>	<u>\$ 1,014,310</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 26,826	\$ 3,557	\$ 30,383
Accrued liabilities	17,104	-	17,104
Due to other governmental units	43,376	-	43,376
Total liabilities	87,306	3,557	90,863
Fund balances			
Reserved for prepaid items	16,579	-	16,579
Unreserved			
Designated for other post-employment benefits, reported in General Fund	50,000	-	50,000
Undesignated, report in			
General Fund	594,285	-	594,285
Special revenue funds	-	262,583	262,583
Total fund balances	<u>660,864</u>	<u>262,583</u>	<u>923,447</u>
Total liabilities and fund balances	<u>\$ 748,170</u>	<u>\$ 266,140</u>	<u>\$ 1,014,310</u>

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
November 30, 2007

Total fund balance—governmental funds	\$	923,447
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 2,714,761	
Accumulated depreciation	<u>(576,993)</u>	2,137,768

Long-term liabilities in governmental activities are not due and payable in the
current period and are not reported in the governmental funds.

Compensated absences	(39,947)
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Internal service funds are used by management to charge the costs of certain activities
to individual funds. The assets and liabilities of the internal service funds are reported
with governmental activities in the Statement of Net Assets.

	<u>290,370</u>
Net assets of governmental activities in the Statement of Net Assets	\$ <u><u>3,311,638</u></u>

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended November 30, 2007

	General Fund	Other governmental funds	Total governmental funds
REVENUES			
Property taxes	\$ 1,199,484	\$ -	\$ 1,199,484
Licenses and permits	154,177	-	154,177
Intergovernmental revenues - State	351,606	219,322	570,928
Charges for services	559,941	-	559,941
Fines and forfeitures	6,824	-	6,824
Investment earnings	51,818	14,170	65,988
Other	36,233	29,469	65,702
Total revenues	2,360,083	262,961	2,623,044
EXPENDITURES			
Current			
General government	534,346	-	534,346
Public safety	967,678	-	967,678
Public works	604,405	177,776	782,181
Culture and recreation	32,997	13,874	46,871
Other governmental functions	16,390	-	16,390
Capital outlay	24,269	-	24,269
Total expenditures	2,180,085	191,650	2,371,735
Excess of revenues over (under) expenditures	179,998	71,311	251,309
OTHER FINANCING SOURCES (USES)			
Transfers in	-	6,000	6,000
Transfers out	-	(6,000)	(6,000)
Total other financing sources (uses)	-	-	-
Net change in fund balances	179,998	71,311	251,309
Fund balances at December 1, 2006	480,866	191,272	672,138
Fund balances at November 30, 2007	\$ 660,864	\$ 262,583	\$ 923,447

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended November 30, 2007

Net change in fund balances—total governmental funds	\$	251,309
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$	(96,836)	
Capital outlay		<u>24,269</u>	(72,567)

Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.

865

The internal service funds are used by management to charge the costs of certain activities to individual funds. The net change of the internal service funds is reported with governmental activities.

(5,736)

Change in net assets of governmental activities

\$ 173,871

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF NET ASSETS
Proprietary Funds
November 30, 2007

ASSETS

	Business-type Activities - Enterprise funds			Governmental Activities - Internal service funds
	Sewer	Water	Total	
CURRENT ASSETS				
Cash and investments	\$ 167,826	\$ 454,714	\$ 622,540	\$ 224,966
Accounts receivable	143,218	188,908	332,126	-
Inventories	-	3,000	3,000	400
Total current assets	311,044	646,622	957,666	225,366
NONCURRENT ASSETS				
Restricted assets	272,676	6,830	279,506	-
Capital assets				
Land	-	600	600	-
Utility systems	2,945,001	2,048,725	4,993,726	-
Buildings and improvements	-	16,029	16,029	-
Vehicles and equipment	-	-	-	574,354
Less accumulated depreciation	(884,421)	(433,627)	(1,318,048)	(518,815)
Net capital assets	2,060,580	1,631,727	3,692,307	55,539
Bond issuance costs, net	-	21,512	21,512	-
Total noncurrent assets	2,333,256	1,660,069	3,993,325	55,539
Total assets	2,644,300	2,306,691	4,950,991	280,905
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	-	1,299	1,299	1,190
Accrued liabilities	2,000	2,900	4,900	-
Due to other governmental units	17,954	50,924	68,878	-
Bonds and other obligations, due within one year	63,371	17,500	80,871	-
Total current liabilities	83,325	72,623	155,948	1,190
NONCURRENT LIABILITIES				
Bonds and other obligations, less amounts due within one year	282,500	407,500	690,000	-
Total liabilities	365,825	480,123	845,948	1,190
NET ASSETS				
Invested in capital assets, net of related debt	1,987,385	1,235,069	3,222,454	55,539
Unrestricted	291,090	591,499	882,589	224,176
Total net assets	\$ 2,278,475	\$ 1,826,568	4,105,043	\$ 279,715
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(10,655)	
Net assets of business-type activities			\$ 4,094,388	

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Proprietary Funds
For the year ended November 30, 2007

	Business-type Activities - Enterprise funds			Governmental Activities - Internal service funds
	Sewer	Water	Total	
REVENUES				
Charges for services	\$ 608,141	\$ 798,273	\$ 1,406,414	\$ 93,911
OPERATING EXPENSES				
Administration	94,728	128,282	223,010	16,332
Operations	412,310	586,992	999,302	56,014
Depreciation and amortization	68,323	27,288	95,611	46,565
Total operating expenses	575,361	742,562	1,317,923	118,911
Operating income (loss)	32,780	55,711	88,491	(25,000)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	10,013	28,659	38,672	12,099
Connection fees	13,030	34,785	47,815	-
Gain on sale of capital assets	-	-	-	4,651
Interest expense	(3,515)	(12,757)	(16,272)	-
Total nonoperating revenues (expenses)	19,528	50,687	70,215	16,750
Income (loss) before capital contributions	52,308	106,398	158,706	(8,250)
Capital contributions	-	119,280	119,280	-
Change in net assets	52,308	225,678	277,986	(8,250)
Net assets at December 1, 2006	2,226,167	1,600,890		287,965
Net assets at November 30, 2007	\$ 2,278,475	\$ 1,826,568		\$ 279,715
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds			(2,514)	
Change in net assets of business-type activities			\$ 275,472	

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF CASH FLOWS
Proprietary Funds
For the year ended November 30, 2007

	Business-type Activities - Enterprise funds			Governmental Activities - Internal service funds
	Sewer	Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 578,652	\$ 757,618	\$ 1,336,270	\$ -
Receipts from interfund services provided	-	-	-	95,268
Payments to suppliers	(563,862)	(771,604)	(1,335,466)	(49,348)
Payments to employees	(27,093)	(53,807)	(80,900)	(27,088)
Payment for interfund services used	(1,963)	(7,494)	(9,457)	-
Net cash provided by (used for) operating activities	(14,266)	(75,287)	(89,553)	18,832
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	295,000	425,000	720,000	-
Bond issuance costs	-	(24,068)	(24,068)	-
Capital contributions	-	119,280	119,280	-
Connection fees	13,030	34,785	47,815	-
Purchases of capital assets	-	(533,749)	(533,749)	(6,891)
Principal paid on capital debt	(51,357)	-	(51,357)	-
Interest paid on capital debt	(3,615)	(9,857)	(13,472)	-
Proceeds from sale of capital assets	-	-	-	4,651
Net cash used for capital and related financing activities	253,058	11,391	264,449	(2,240)
CASH FLOW FROM INVESTING ACTIVITIES				
Investment earnings	10,013	28,659	38,672	12,099
Net increase (decrease) in cash and investments	248,805	(35,237)	213,568	28,691
Cash and investments at December 1, 2006	191,697	496,781	688,478	196,275
Cash and investments at November 30, 2007	<u>\$ 440,502</u>	<u>\$ 461,544</u>	<u>\$ 902,046</u>	<u>\$ 224,966</u>
Reconciliation of cash and investments to the Statement of Net Assets				
Cash and investments	\$ 167,826	\$ 454,714	\$ 622,540	\$ 224,966
Restricted assets	272,676	6,830	279,506	-
	<u>\$ 440,502</u>	<u>\$ 461,544</u>	<u>\$ 902,046</u>	<u>\$ 224,966</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ 32,780	\$ 55,711	\$ 88,491	\$ (25,000)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation and amortization expense	68,323	27,288	95,611	46,565
Change in assets and liabilities				
Receivables, net	(29,489)	(40,655)	(70,144)	1,357
Prepaid items	-	860	860	-
Accounts payable	(6,122)	(9,151)	(15,273)	(4,090)
Due to other governmental units	(79,758)	(109,340)	(189,098)	-
Net cash provided by (used for) operating activities	<u>\$ (14,266)</u>	<u>\$ (75,287)</u>	<u>\$ (89,553)</u>	<u>\$ 18,832</u>

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
November 30, 2007

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ <u><u>2,487</u></u>
LIABILITIES	
Due to other governmental units	\$ <u><u>2,487</u></u>

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Roosevelt Park (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The City is a municipal corporation governed by an elected mayor and six-member City Council and is administered by a city manager appointed by the City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. The discretely presented component unit has a November 30 fiscal year end.

Discretely Presented Component Unit

City of Roosevelt Park Downtown Development Authority. The Authority's purpose is the collection of tax increment revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the City's downtown district. Board members of the DDA are appointed by the City and the Authority is fiscally dependent on the City since the council approves the DDA budget and must approve any debt issuance. The DDA is presented as a governmental fund type.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The City does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following two major proprietary funds:

The Sewer Fund operates the City's sewage pumping station, collection systems and pays for access to the county's sewage treatment plant.

The Water Fund operates the City's water distribution system.

Additionally, the City reports the following fund types:

Internal Service Funds account for equipment management services provided to other funds of the government on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the City intends to hold the investment until maturity.

The City has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the City to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

The component units' cash and investments are maintained within the City's investment pool.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The City bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the City to the County for collection. The County advances the City all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the City. The City recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 state taxable value for real/personal property of the City totaled approximately \$114,000,000 of which approximately \$16,300,000 was captured by the component unit. The ad valorem taxes levied consisted of 11.6 mills for the City's operating purposes. This amount is recognized in the General Fund with captured amounts shown in the DDA component unit.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Unspent proceeds of the 2007 General Obligation Capital Improvement Bonds are shown as restricted assets on the statement of net assets because they are maintained in a separate bank account and their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Capital Assets—Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include only items acquired since December 1, 2003 as allowed by generally accepted accounting principles.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10-20
Buildings and improvements	10-40
Office furniture and equipment	5-30
Vehicles and equipment	5-10
Infrastructure	10-50

Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Unused vacation and sick leave days are paid to employees upon termination under limits that vary by employee group. The liability for these compensated absences is accrued when incurred in the government-wide financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to October 31, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following December 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the City Hall to obtain taxpayer comments.
- c. Not later than October 31, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the City Council.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. The City Council made several supplemental budgetary appropriations throughout the year.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2007

NOTE C—DEPOSITS AND INVESTMENTS

As of November 30, 2007, the City had the following investments:

Investment Type	<u>Fair value</u>	<u>Weighted average maturity (Months)</u>	<u>Moody's</u>	<u>Percent</u>
Money market mutual fund	\$ 431,104	1	AAA	26.3 %
U.S. Agency obligations	501,049	12	AAA	30.5
Negotiable certificates of deposit	36,665	10	not rated	2.2
Overnight repurchase agreements	<u>672,407</u>	<u>1</u>	AAA	<u>41.0</u>
Total fair value	<u>\$ 1,641,225</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>5</u>		

Interest rate risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk. The City does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the City investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5 percent of the City's investments are in U.S. Agency Obligations issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Home Loan Bank. These investments are 6.21 percent, 6.10 percent, and 18.22 percent, respectively, of the City's investments.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of November 30, 2007, \$955,982 of the City's bank balance of \$1,055,982 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The City does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The City is not authorized to invest in investments which have this type of risk.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2007

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Restricted Assets

Restrictions are placed on assets by bond ordinance. At November 30, 2007, cash and investments in the enterprise funds are restricted as follows:

Business-type activities

Unspent bond proceeds from 2007 General Obligation Capital Improvements bonds:

Water Fund	\$ 6,830
Sewer Fund	<u>272,676</u>
	<u>\$ 279,506</u>

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2007 was as follows:

	Balance December 1, 2006	Additions	Deductions	Balance November 30, 2007
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 295,147	\$ -	\$ -	\$ 295,147
Capital assets, being depreciated:				
Land improvements	57,023	-	-	57,023
Buildings and improvements	840,301	-	-	840,301
Vehicles and equipment	877,496	31,160	40,861	867,795
Infrastructure	<u>1,228,849</u>	<u>-</u>	<u>-</u>	<u>1,228,849</u>
Total capital assets, being depreciated	3,003,669	31,160	40,861	2,993,968
Less accumulated depreciation:				
Land improvements	57,023	-	-	57,023
Buildings and improvements	295,817	21,007	-	316,824
Vehicles and equipment	597,469	60,951	40,861	617,559
Infrastructure	<u>42,959</u>	<u>61,443</u>	<u>-</u>	<u>104,402</u>
Total accumulated depreciation	<u>993,268</u>	<u>143,401</u>	<u>40,861</u>	<u>1,095,808</u>
Total capital assets, being depreciated, net	<u>2,010,401</u>	<u>(112,241)</u>	<u>-</u>	<u>1,898,160</u>
Capital assets, net	<u>\$ 2,305,548</u>	<u>\$ (112,241)</u>	<u>\$ -</u>	<u>\$ 2,193,307</u>

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2007

NOTE D—CAPITAL ASSETS—Continued

	Balance December 1, 2006	Additions	Deductions	Balance November 30, 2007
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 600	\$ -	\$ -	\$ 600
Capital assets, being depreciated:				
Sewer system	2,945,001	-	-	2,945,001
Water system	1,514,976	533,749	-	2,048,725
Buildings and improvements	16,029	-	-	16,029
Total capital assets, being depreciated	4,476,006	533,749	-	5,009,755
Less accumulated depreciation:				
Sewer system	844,454	39,967	-	884,421
Water system	392,866	24,732	-	417,598
Buildings and improvements	16,029	-	-	16,029
Total accumulated depreciation	1,253,349	64,699	-	1,318,048
Total capital assets, being depreciated, net	3,222,657	469,050	-	3,691,707
Capital assets, net	\$ 3,223,257	\$ 469,050	\$ -	\$ 3,692,307

Depreciation

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 18,380
Public safety	3,640
Public works	64,699
Culture and recreation	10,117
Internal Service Fund depreciation is charged to the various programs based on their usage of the assets	46,565
	<u>\$ 143,401</u>

Business-type activities:

Sewer	\$ 39,967
Water	24,732
	<u>\$ 64,699</u>

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2007

NOTE E—ACCESS RIGHTS

Access rights activity for the year ended November 30, 2007 was as follows:

	Balance December 1, 2006	Additions	Deductions	Balance November 30, 2007
Business-type activities				
Access rights	\$ 170,137	\$ -	\$ -	\$ 170,137
Less accumulated amortization	<u>141,781</u>	<u>28,356</u>	<u>-</u>	<u>170,137</u>
Access rights, net	<u>\$ 28,356</u>	<u>\$ (28,356)</u>	<u>\$ -</u>	<u>\$ -</u>

Amortization

Amortization expense has been charged to sewer.

NOTE F—BOND ISSUANCE COSTS

Bond issuance cost activity for the year ended November 30, 2007 was as follows:

	Balance December 1, 2006	Additions	Deductions	Balance November 30, 2007
Business-type activities				
Bond issuance costs	\$ -	\$ 24,068	\$ -	\$ 24,068
Less accumulated amortization	<u>-</u>	<u>2,556</u>	<u>-</u>	<u>2,556</u>
Bond issuance costs, net	<u>\$ -</u>	<u>\$ 21,512</u>	<u>\$ -</u>	<u>\$ 21,512</u>

Amortization

Amortization expense has been charged to interest.

NOTE G—INTERFUND TRANSFERS

The Major Streets Fund transferred \$6,000 to the Local Streets Fund for operations.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2007

NOTE H—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the City for the year ended November 30, 2007.

	Balance December 1, 2006	Additions	Reductions	Balance November 30, 2007	Due within one year
Governmental activities:					
Compensated absences	\$ 40,812	\$ 52,829	\$ 53,694	\$ 39,947	\$ 16,000
Business-type activities:					
General obligation bonds	\$ 102,228	\$ 720,000	\$ 51,357	\$ 770,871	\$ 80,871
Component unit:					
General obligation bonds	\$ 1,615,000	\$ -	\$ 75,000	\$ 1,540,000	\$ 75,000

Business-type activities:

General obligation bonds:

\$170,136 Muskegon County Wastewater
Management System; final payment
of \$50,871 due July 2008; interest at
5%

\$ 50,871

\$720,000 General Obligation Capital Improvement
Bonds of 2007; payable in annual installments of
\$30,000 to \$70,000 through April 2021; interest at
rates varying from 4% to 4.38%

720,000

\$ 770,871

Component unit:

General obligation bonds:

\$1,825,000 General Obligation Limited Tax
Bonds of 2002; payable in annual
installments of \$75,000 to \$225,000
through October 2018; interest at rates
varying from 3.5% to 4.7%

\$ 1,540,000

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2007

NOTE H—LONG-TERM DEBT—Continued

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

The County of Muskegon wastewater contracts payable represent agreements with Muskegon County relating to the construction of sewage treatment facilities. To construct these facilities, the County issued bonds which local municipalities are obligated to repay. The City has recorded the liability for its portion of the County bonds which are to be repaid by the access rights fee. Access rights are also recorded and are amortized over 20 years. The contractual obligation is secured by the full faith and credit of the City. Current debt service requirements are funded by sewer revenues.

In 2005, the County of Muskegon began making improvements to the regional sewer treatment facilities. The project was funded with \$17,500,000 bonds issued through the State of Michigan Clean Water Revolving Fund Loan Program. The County operates the system and makes payments on the bonds with user charges to the local units. The City has pledged its limited tax full faith and credit for the payment of its portion of the debt should user charges collected by the County be insufficient to make the debt payments. The City's portion of the debt on November 30, 2007 was \$1,062,454. The City is unaware of any circumstances that would cause a shortfall in the near future.

Annual debt service requirements to maturity for debt outstanding as of November 30, 2007 follows:

Year ending November 30,	Business-type activities		Component unit	
	Principal	Interest	Principal	Interest
2008	\$ 80,871	\$ 29,997	\$ 75,000	\$ 66,183
2009	40,000	27,325	75,000	63,557
2010	40,000	25,725	95,000	60,783
2011	40,000	24,125	100,000	56,982
2012	45,000	22,425	125,000	52,983
2013-2017	260,000	83,025	845,000	173,845
2018-2021	<u>265,000</u>	<u>23,475</u>	<u>225,000</u>	<u>10,575</u>
	<u>\$ 770,871</u>	<u>\$ 236,097</u>	<u>\$ 1,540,000</u>	<u>\$ 484,908</u>

NOTE I—OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City manages its liability and property risk by participating in Michigan Municipal Liability and Property Pool (MMLPP), a public entity risk pool providing property and liability coverage to its participating members. The City pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2007

NOTE I—OTHER INFORMATION—Continued

Risk Management—Continued

The City manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Fund (MMWCF), a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to MMWCF for its workers' compensation coverage. The MMWCF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Post-Retirement Health Care

The City has agreed to provide post-retirement health care to certain employees after they retire.

As of year end, there were six retired employees receiving benefits. The City finances the Plan on a pay-as-you-go basis. For the year ended November 30, 2007, the City's post-retirement health care cost under the Plan was approximately \$46,000.

The City has designated \$50,000 of fund balance in the General Fund in anticipation of the adoption of GASB 45 which will require retiree healthcare to be pre-funded or shown as a liability.

Commitments

The City has a contractual agreement for storm sewer line improvements as of November 30, 2007 of approximately \$73,000.

NOTE J—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Pension Plan

Plan Description. The City of Roosevelt Park is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with the City of Roosevelt Park. A copy of the complete financial report and required supplemental information can be obtained by writing to:

City of Roosevelt Park
900 Oak Ridge Road
Roosevelt Park, MI 49441

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2007

NOTE J—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Pension Plan—Continued

Funding Policy. Plan members are not required to contribute to the plan. The City is required to contribute at an actuarially-determined rate of 13.82 to 20.35 percent of covered wages.

Annual Pension Cost. For the year ended City of Roosevelt Park, the City's annual pension cost was approximately \$117,000, which the City contributed. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0 percent to 4.5 percent, and (c) 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Three-Year Trend Information

Year ending	Approximate Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
11/30/05	\$ 101,000	100 %	\$ -
11/30/06	105,000	100	-
11/30/07	117,000	100	-

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial valuation date	Actuarial value of assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
12/31/04	\$ 2,583	\$ 3,096	\$ 513	83 %	\$ 714	72 %
12/31/05	2,712	3,282	570	83	646	88
12/31/06	2,879	3,491	612	82	785	78

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

REQUIRED SUPPLEMENTARY INFORMATION

City of Roosevelt Park
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended November 30, 2007

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 1,222,000	\$ 1,230,900	\$ 1,199,484	\$ (31,416)
Licenses and permits	90,400	131,550	154,177	22,627
Intergovernmental revenues - State	346,000	346,900	351,606	4,706
Charges for services	509,310	533,190	559,941	26,751
Fines and forfeitures	9,000	10,200	6,824	(3,376)
Investment earnings	26,040	32,040	51,818	19,778
Other	24,000	49,600	36,233	(13,367)
Total revenues	2,226,750	2,334,380	2,360,083	25,703
EXPENDITURES				
Current				
General government				
City Council	13,940	14,140	9,770	4,370
City manager	102,650	102,650	105,451	(2,801)
Clerk	73,700	73,000	69,994	3,006
Treasurer	72,450	70,950	69,498	1,452
Assessor	28,500	36,300	36,223	77
Attorney	23,500	30,900	31,555	(655)
Office operations	82,000	80,600	73,231	7,369
Personnel	66,800	55,300	53,663	1,637
City hall, garage and grounds	81,800	85,550	84,961	589
Public safety				
Police department	687,900	685,030	676,050	8,980
Fire department	210,000	210,000	210,710	(710)
Inspections	58,600	80,350	80,918	(568)
Public works				
Public service	446,850	446,050	431,111	14,939
Sidewalks	5,000	5,000	5,264	(264)
Sanitation	171,300	174,400	168,030	6,370
Culture and recreation				
Parks	34,530	34,530	32,997	1,533
Other governmental functions	16,960	16,960	16,390	570
Capital outlay	31,000	37,020	24,269	12,751
Total expenditures	2,207,480	2,238,730	2,180,085	58,645
Net change in fund balance	\$ 19,270	\$ 95,650	179,998	\$ 84,348
Fund balance at December 1, 2006			480,866	
Fund balance at November 30, 2007			\$ 660,864	

OTHER SUPPLEMENTAL INFORMATION

City of Roosevelt Park
COMBINING BALANCE SHEET
 Other Governmental Funds
 November 30, 2007

		Special Revenue		
	Total other governmental funds	Major Streets	Local Streets	Roosevelt Park Day
ASSETS				
Cash and investments	\$ 234,011	\$ 139,898	\$ 66,741	\$ 27,372
Due from other governmental units	<u>32,129</u>	<u>23,255</u>	<u>8,874</u>	<u>-</u>
Total assets	<u><u>\$ 266,140</u></u>	<u><u>\$ 163,153</u></u>	<u><u>\$ 75,615</u></u>	<u><u>\$ 27,372</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 3,557	\$ 2,639	\$ 918	\$ -
Fund balances				
Unreserved				
Undesignated	<u>262,583</u>	<u>160,514</u>	<u>74,697</u>	<u>27,372</u>
Total liabilities and fund balances	<u><u>\$ 266,140</u></u>	<u><u>\$ 163,153</u></u>	<u><u>\$ 75,615</u></u>	<u><u>\$ 27,372</u></u>

City of Roosevelt Park
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Other Governmental Funds
For the year ended November 30, 2007

	Total other governmental funds	Special Revenue		
		Major Streets	Local Streets	Roosevelt Park Day
REVENUES				
Intergovernmental revenues - State	\$ 219,322	\$ 158,736	\$ 60,586	\$ -
Investment earnings	14,170	10,730	3,438	2
Other	29,469	10,052	84	19,333
Total revenues	262,961	179,518	64,108	19,335
EXPENDITURES				
Current				
Public works	177,776	113,491	64,285	-
Culture and recreation	13,874	-	-	13,874
Total expenditures	191,650	113,491	64,285	13,874
Excess of revenues over (under) expenditures	71,311	66,027	(177)	5,461
OTHER FINANCING SOURCES (USES)				
Transfers in	6,000	-	6,000	-
Transfers out	(6,000)	(6,000)	-	-
Total other financing sources (uses)	-	(6,000)	6,000	-
Net change in fund balances	71,311	60,027	5,823	5,461
Fund balances at December 1, 2006	191,272	100,487	68,874	21,911
Fund balances at November 30, 2007	\$ 262,583	\$ 160,514	\$ 74,697	\$ 27,372

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

February 29, 2008

City Council
City of Roosevelt Park
Roosevelt Park, Michigan

In planning and performing our audit of the financial statements of the City of Roosevelt Park as of and for the year ended November 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Roosevelt Park's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Roosevelt Park's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Roosevelt Park's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency and a deficiency that we consider to be a material weakness.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We identified and we have attached deficiencies in internal control that we consider to be significant deficiencies.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the attached deficiency, identified as a material weakness, constitutes a material weakness.

This communication is intended solely for the information and use of management, the Board of Directors, others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



MATERIAL WEAKNESS

Recommendation 1: General ledger balances should be regularly reviewed for reasonability and unusual balances.

During our audit, we noted that the Water Fund accounting trial balance had been out of balance by a significant amount since May 2007. The condition was caused by the recording of debt proceeds, effectively by a one-sided journal entry. The adjustment to correct this difference, along with several other adjustments, affected balances previously reported on internally-prepared, interim financial statements.

The timely review and analysis of all general ledger account balances throughout the year would improve the accuracy of interim financial statements.

SIGNIFICANT DEFICIENCIES

Recommendation 2: Property tax revenue should be reconciled against the County of Muskegon settlement reports on an annual basis.

During our audit, we noted that the City and DDA's property tax revenue did not reconcile with the County of Muskegon settlement report.

The annual reconciliation of property tax revenue with the County of Muskegon's settlement reports would ensure that all property tax revenue was properly received and accounted for on the City's general ledger.

Recommendation 3: The internal controls surrounding the preparation of formal year end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year end financial statements.

The Organization should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.

Recommendation 4: The general ledger and customer detail of utility billings accounts receivable should be reconciled monthly.

During our audit, we noted that the accounts receivable on the general ledger did not agree with the customer detail report.

The monthly preparation of a reconciliation of detailed accounts receivable customer detail reports with the general ledger would reduce the opportunity for errors or misappropriations of funds to go undetected.